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SECURITY AGREEMENT NO. \_\_\_\_\_ Filed 1425

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INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT by and between KARL B. McMILLEN, an individual with an office and place of business at 14600 South Hindry Avenue, Hawthorne, California 90250, ("Debtor") and CFS PLANNING CORPORATION, a California corporation with an office and place of business at 8383 Wilshire Boulevard, Suite 650, Beverly Hills, California 90211, ("Secured Party").

#### INTRODUCTION

The Secured Party and Debtor are parties to a purchase agreement dated December 20, 1984, (the "Purchase Agreement"), pursuant to which the Secured Party sold to Debtor, and Debtor purchased from the Secured Party, the Equipment, as defined in the Purchase Agreement. Under the Purchase Agreement, the purchase price payable by Debtor to the Secured Party for the Equipment is payable partly by delivery to the Secured Party of the Installment Note, as defined in the Purchase Agreement. In order to induce the Secured Party to enter into the Purchase Agreement and to accept the Installment Note, Debtor and the Secured Party are entering into this Security Agreement pursuant to which the Installment Note and Debtor's performance under the Purchase Agreement are secured on the terms and conditions hereinafter provided for.

NOW, THEREFORE, in consideration of the premises, the parties hereby agree as follows:

1. Security Interest. To secure the payment of principal and interest under the Installment Note and the payment and performance of all obligations and liabilities of Debtor to the Secured Party under the Installment Note, the Purchase Agreement and this Security Agreement (hereinafter referred to collectively as the "Obligations"), Debtor shall, and hereby does grant, convey, assign and transfer to the Secured Party, subject and subordinate to the Bank Lien, the Initial Purchaser Lien and the User Lease, as those terms are defined in the Purchase Agreement, a purchase money security interest in and to the Equipment, including for all purposes herein, all of Debtor's right, title and interest in and to all additions, attachments, upgrades and replacements thereto, and all proceeds therefrom and an assignment of the rights of Debtor as lessor under any other lease or sublease agreement to which the Equipment is or hereafter becomes subject (hereinafter referred to collectively as the "Collateral").

2. Representations and Warranties of the Debtor. Except for the security interest created hereby, the Bank Lien, the Initial Purchaser Lien and the User Lease, Debtor will keep each item of the Equipment free and clear of all claims, liens,

security interests or other encumbrances created by Debtor and not created by or arising from acts or omissions of the Secured Party, the User, any subsequent lessee or sublessee or any sale of the Equipment by Debtor.

3. Default

3.1 The term "Event of Default", as used herein, shall mean the occurrence and continuation of any one or more of the following events:

(a) The failure of Debtor to promptly and faithfully pay, observe and perform when due any of the Obligations, subject to Debtor's rights under Article 3 of the Installment Note, which failure shall continue for a period of ten (10) days after written notice thereof.

(b) The material misrepresentation or breach by Debtor of any material warranty or covenant to the Secured Party under this Security Agreement, or the Purchase Agreement, which misrepresentation or breach of warranty or covenant shall continue for a period of ten (10) days after written notice thereof.

(c) The commission by Debtor or the occurrence of any of the following acts:

(i) admitting in writing its inability to pay its debts generally as they become due;

(ii) filing a petition in bankruptcy or a petition to take advantage of any insolvency act;

(iii) making an assignment for the benefit of its creditors;

(iv) consenting to the appointment of a receiver for itself or for the whole or any substantial part of its property;

(v) on a petition in bankruptcy filed against it, being adjudicated a bankrupt;

(vi) filing a petition or answer seeking reorganization of arrangement or other aid or relief under any bankruptcy or insolvency laws or any other aid or relief of debtors.

(d) The entry by a court of competent jurisdiction of an order, judgment or decree appointing, with or without the consent of Debtor, a receiver for Debtor or for all or substantially all of its property, or approving a petition

filed against it seeking reorganization or arrangement of Debtor under any bankruptcy or insolvency laws or any other law for the relief of debtors, which order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of entry thereof.

(e) The assumption by any court of competent jurisdiction of custody or control of Debtor or of all of its property under the provisions of any law for the relief of debtors, which custody or control shall not be terminated or stayed within sixty (60) days from the date of assumption of such custody or control.

3.2 Upon the occurrence of an Event of Default, the Secured Party shall have, in addition to all the rights and remedies of a secured party under the Uniform Commercial Code but subject and subordinate to the Bank Lien, the Initial Purchaser Lien, the User Lease and any other lease or sublease not in violation of the documents to which the Secured Party is a party, the right to:

(a) Accelerate the entire unpaid principal balance and all accrued but unpaid interest under the Installment Note and all other Obligations.

(b) Take possession of any or all of the Equipment wherever situated and, for such purpose, enter upon any premises.

(c) Sell, dispose of, hold, use or lease any or all of the Equipment as the Secured Party in its sole discretion shall decide. The Secured Party shall give Debtor written notice of the time and place of any public or private sale or other intended disposition of all or any portion of the Equipment at least ten (10) business days prior to the sale or other disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall be paid by Debtor and shall include, without limitation, the Secured Party's reasonable attorneys' fees and legal expenses. The Secured Party's rights and remedies, whether pursuant to the Uniform Commercial Code or any other statute or rule of law conferring rights similar to those conferred by the Uniform Commercial Code, shall be cumulative and not alternative.

(d) Receive from the lessee or sublessee all payments due thereunder and to enjoy all of the privileges and benefits of the lessor thereunder.

3.3 The Secured Party, by act, delay, omission or otherwise, shall not be deemed to have waived any rights or remedies, or both, hereunder unless such waiver is in writing

signed by the Secured Party and only to the extent therein set forth. A waiver by the Secured Party of any right or remedy, or both, on any one occasion shall not be construed as a bar to or waiver of any such right or remedy, or both, to which the Secured Party would otherwise be entitled on any future occasion.

4. Negative Covenants. So long as the Obligations remain outstanding, Debtor shall not sell, transfer, assign or otherwise encumber the Collateral without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld.

5. Termination of Agreement. The security interest created hereunder shall terminate only when Debtor has fully satisfied the Obligations. At such time, the Secured Party shall execute and deliver all such instruments and documents as Debtor shall reasonably request in confirmation of such termination.

6. Miscellaneous

6.1 Successors. The rights and obligations of the parties hereto shall inure to the benefit of, and shall be binding and enforceable upon, the respective successors, assigns and transferees of the parties hereto.

6.2 Notices. Any notice, request or other communication hereunder shall be in writing and shall be delivered either (i) personally to the party or any officer or employee of the party or (ii) by certified or registered mail, return receipt requested, first-class postage prepaid and addressed to the party at the most recent address furnished by such party to the other. Such notices shall be deemed delivered (i) on the date actually received or (ii) four (4) business days after mailing, whichever is earlier.

6.3 Severability. The provisions hereof shall be deemed independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

6.4 Governing Law. This Security Agreement shall be governed by, and interpreted under, the laws of the State of California applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws. Except with respect to an action commenced by a third party in another jurisdiction, Debtor and the Secured Party agree that any legal suit, action or proceeding arising out of or relating to this Security Agreement must be instituted in a



state or federal court in the County of Los Angeles, State of California, and they hereby irrevocably submit to the jurisdiction of any such court.

6.5 Captions. The captions used herein are inserted for reference purposes only and shall not affect the interpretation or construction of this Security Agreement.

6.6 Counterparts. This Security Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

6.7 Financing Statements. Debtor shall, concurrently herewith and from time to time, execute for the Secured Party financing statements in such form as may be necessary to perfect or maintain or continue perfection of a security interest in the Collateral in any or all pertinent jurisdictions, provided the form and scope of such financing statements is reasonably satisfactory to Debtor.

6.8 Recordation of Document. This Security Agreement shall be acknowledged by the parties hereto and subsequently recorded with the Interstate Commerce Commission pursuant to Section 11303 of Title 49 of the United States Code as soon as

CIS.1009.8.83/9.1.84B  
KARL B. McMILLEN -- 12/21/84

reasonably possible after the execution of this Security Agreement.

IN WITNESS WHEREOF, Debtor and the Secured Party have executed this Security Agreement as of this 20th day of December, 1984.

SECURED PARTY:

CFS PLANNING CORPORATION,  
a California corporation

By: 

Burt Rosenmeyer,  
President

DEBTOR:

KARL B. McMILLEN,  
an individual

By: 

(Authorized Signatory)

EXHIBIT "A"

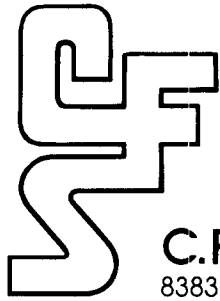
DESCRIPTION OF EQUIPMENT

QTY.	DESCRIPTION	ROAD NUMBER			
2	General Motors Corporation, Electromotive Division, Model GP38, 2000 horsepower, 4 axle diesel electric locomotives.	300	301		
10	General Motors Corporation, Electromotive Division, Model GP40, 3000 horsepower, 4 axle diesel electric locomotives.	211	212	213	214
		215	216	217	218
		219	220		

ASSET VALUE: \$1,930,435

EQUIPMENT LOCATION: The locomotives will be used by the Missouri-Kansas-Texas Railroad Company on its 3000 mile route system in Missouri, Kansas and Texas.

BANK: Chemical Business Credit Corporation  
INITIAL TERM: 144 months  
START DATE: June 1, 1983



## C.F.S. PLANNING CORPORATION

8383 Wilshire Boulevard, Suite 650, Beverly Hills, California 90211 / Phone: (213) 653-1500 / Tlx. 4720915

January 18, 1985

### PERSONAL AND CONFIDENTIAL

Interstate Commerce Commission  
12th Street and Constitution, Northwest  
Recordation Division  
Room 2303  
Washington- D.C. 20001

Attention: Mrs. Mildred Lee

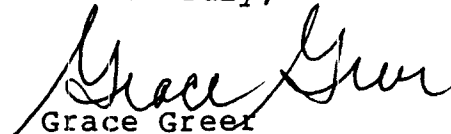
Dear Mrs. Lee:

Recently, I sent documents to the ICC for recordation pursuant to an original file #14507. I have enclosed the documents returned to our office by the ICC with respect to the subsequent recording, January 11, 1985, of documents filed under the filing #'s 14534A, 14534, 14535A, 14535.

I would appreciate it if you would return the "original" copies of the enclosed documents to my attention, as they are required to complete the legal documentation concerning the purchase of this equipment. I have retained the Assignment of Lease, document file #14535A, as it was an original document.

Thank you for your assistance.

Yours truly,

  
Grace Greer  
Legal Department

Enc.

GG:cb